

## Finance Office CWIP Cost Processing Flow and Responsibilities

The following steps list the process flow and associated responsibilities of the Finance Office in the processing of CWIP costs. The steps are categorized into the three major phases of the process: CWIP Activity Planning Phase; Actions Taken During the Actual Construction Work-In-Progress of the CWIP Activity Phase, and Completing the CWIP Activity Phase. In addition, Section 1V provides detailed guidance on preparation of the CWIP reconciliations.

### I.. Activity Planning Phase

1. The establishment of a CWIP Activity is the responsibility of the FMC and Line Office(LO)/Staff Office managers. Once established, a CWIP Activity Manager is appointed to the activity and she/he, working through the OFA Budget Execution Office, will establish a unique CWIP project code and a documentation file.
2. The CWIP Activity Manager will provide the OFA Budget Execution Office with information on the CWIP Activity (manager's name, address, project title, estimated costs, etc.). The OFA Budget Execution Office will enter the activity information into an internally established and maintained database (CWIP Activity List). OFA Budget Execution will provide this information to Real Property, Personal Property and OFA Finance.
3. The FMC MB will plan the CWIP Activity in a manner similar to other directly funded activities using NOAA Form 32-24 (NOAA Financial Operating Plan) and submit the plan to the OFA Budget Execution Office.

### II. Actions Taken During the Actual Construction Work-In-Progress of the Activity Phase

4. The CWIP Activity Manager will capture all costs (capital and expense) and maintain the required file documentation until the activity is completed. The amount of costs relating to the CWIP activity is recorded and reported by Finance in a manner similar to any other obligational data in CAMS.
5. The cost data will also be reflected on the CAMS CSR. The data will remain on this report until the construction cost is fully capitalized and both the undelivered orders and the uncapitalized costs are reduced to zero. Finance must ensure that the total of the "Uncapitalized Cost" on the CSR agrees with the corresponding General Ledger CWIP account balance.

### III. Completing the Activity Phase

6. The Activity Manager will notify the NOAA Budget Office, if the activity's completion date, or estimated total cost has changed.
7. Approximately 30 days prior to acceptance or beneficial occupancy of the

completed CWIP activity, the CWIP Activity Manager will review the CSR to verify the completeness and validity of the activity's cost, by project code, accrued on that Report. The activity's manager will complete and submit cost adjustment form NF34-34 to Finance for all non-capital expenses, and other adjustments, as necessary.

8. The CWIP Activity Manager will complete NF 37-6 within 30 days after acceptance/beneficial occupancy of the activity. The activity manager will send the completed original of the NF 37-6, to the appropriate Real or Personal Property Office, together with the file containing all documentation to support the costs summarized on the form. See suggested "Minimum Standards" for file format below:

- File type should be an expandable file that will accommodate the expected increase of documentation as the Activity Manager moves through the project.
- There should be a separate tab reflected for every stage of the project (e.g. Line Office, City & St, (Project Type), Project stage). See following examples below for tab labeling suggestions (including some examples of documentation type that could be found in the respective section). The following example may be revised in order to accommodate the supporting documentation that would be more appropriate for the respective project type:

- Tab #1: **"NMFS, Norfolk, VA, (HVAC)  
Project Close-out"**

**Documentation Example:**

- Completed 37-6 Form
- CWIP spreadsheet or planning documentation as a cost and documentation checklist
- CD - 509
- Any other close-out or project summary forms

- Tab #2: **"NMFS, Norfolk, VA, (HVAC)  
Funds Document"**

**Documentation Example:**

- Memorandum For Record

- Tab #3: **"NMFS, Norfolk, VA, (HVAC)  
A/E Task Orders/Invoices"**

**Documentation Example:**

- Statement Of Work

- Invoices

- Tab #4: **“NMFS, Norfolk, VA, (HVAC) Construction Contract”**

**Documentation Example:**

- Form 1442 - Solicitation Offer And Award

- Tab #5: **“NMFS, Norfolk, VA, (HVAC) Construction Contract - Mods/Invoices”**

**Documentation Example:**

- Standard Form 30 - Amendment of Solicitation/Modification of Contract

- Tab #6: **“NMFS, Norfolk, VA, (HVAC) Travel Vouchers”**

- Tab #7: **“NMFS, Norfolk, VA, (HVAC) Labor Costs”**

- Tab #8: **“NMFS, Norfolk, VA, (HVAC) Construction Mgmt. Svcs. - Contract/Invoices”**

- Tab #9: **“NMFS, Norfolk, VA, (HVAC) Trans. Costs/Duplication/Storage/GFE/Materials”**

9. The Property Office staff will review the NF 37-6, and related file documentation, for completeness and accuracy. Incomplete files will be returned, along with the NF37-6 to the CWIP Activity Manager for correction. If all information is complete in the file, the Property Office will annotate the NF37-6 to indicate data entry to the appropriate property system. After the NF37-6 has been reviewed and cleared at the appropriate Property Office, that Office will send the signed NF37-6 to Finance.
10. When Finance receives the certified NF 37-6 from the Property Office, Finance will review it for clerical accuracy and valid project codes. Finance will also “cross walk”, by project code, the accrued costs stated on the form to the CSR. If insufficient accrued costs exist on the CSR, Finance will notify the activity manager that cost adjustments are necessary.
11. After Finance has approved the accuracy of the NF37-6, they will enter the accrued costs from the NF37-6, by project code, in the Capitalized Cost column

of the CSR. Finance will then prepare a General Ledger journal voucher to move the capitalized costs out of the CWIP General Ledger Account and into the appropriate General Ledger Property account.

12. Finance will then send an e-mail notification to the activity manager, the appropriate property officer, and Budget Execution Office advising them that the costs stated on the NF 37-6 have been applied to the CSR and properly posted to the General Ledger.

#### IV. CWIP Reconciliation Process

CWIP Project Managers must exercise keen financial oversight of their CWIP activities because NOAA's CWIP balance is a focal point of the annual audit of NOAA's financial statements. This is because CWIP comprises approximately one third of NOAA's total assets and nearly 50% of NOAA's total property, plant, and equipment. In recent years, the value of CWIP on NOAA's Balance Sheet is approaching \$2 billion.

##### **CWIP Status Report (FRFD15C)**

Reliable and valid CWIP balances can only be achieved if they are regularly monitored and reconciled to NOAA's subsidiary record for CWIP -- the CAMS' *CWIP Status Report (CSR)*. The responsibility for this vigilance lies with each CWIP Activity Manager over their respective CWIP projects.

The CWIP balance reported on NOAA's financial statements is the **UNCAPITALIZED COST** column on the CSR, plus or minus on top adjustments at the end of the reporting period. Therefore, verification of the **UNCAPITALIZED COST** column is the objective and focus of the CWIP Reconciliation performed by the CWIP Activity Managers or their designate. The **UNCAPITALIZED COSTS, on the CSR**, are computed as the "Accrued Cost" column minus, the "Capitalized Cost" column.

The "Undelivered Orders" (UDO's) column on the CSR must be excluded when calculating the uncapitalized costs because they represent goods and services that have not been delivered (received) and therefore they do not meet the criteria for being reported on the balance sheet as an asset.

The **CAPITALIZED COST** column on the CSR is adjusted when Finance posts a Report of Completed Construction Work-In-Progress (NF 37-6) to the CSR. The NF37-6 is received in Finance after being cleared at the appropriate Personal or Real Property Office.

##### **Reconciliation Template**

A CWIP reconciliation template exists to help project managers validate the Uncapitalized Cost balances reported for their activities on the CSR. The template and its instructions can be downloaded at: [http://www.ofa.noaa.gov/~finance/financial\\_policy.htm](http://www.ofa.noaa.gov/~finance/financial_policy.htm)

##### **NOAA Form NF37-6 Preparation and Close Out**

Before a CWIP Activity Manager submits an NF37-6 (to the appropriate Personal or Real

Property office), they must ensure that the costs, stated thereon, cross walk to the **Accrued Cost column** on the latest CSR. If those costs don't cross walk, a brief explanation **MUST** accompany the NF37-6 explaining the difference (e.g. cost adjustment or vendor invoices in transit, contract costs in dispute, or a major additional series/phases of development is forthcoming.)

### **Residual Accrued Costs and Undelivered Orders After Project Completion**

If there are residual Accrued Costs remaining on the CWIP Status Report after completion/acceptance of the constructed asset, they must be applied to the final cost of the project (on the NF37-6); if they reflect goods and services that will be received within 90 days of the asset's official acceptance/occupancy date. If they are received after 90 days of completion/acceptance, an additional revised NF37-6 must be prepared to reflect those subsequent events.

Likewise, if there are residual Undelivered Orders (UDO's) remaining after completion/acceptance of the constructed asset, they must be applied to the final cost of the project (via the NF37-6); if they reflect goods and services that will be received within 90 days of the asset's official acceptance/occupancy date. If they are received after 90 days of completion/acceptance, an additional revised NF37-6 must be prepared to reflect those subsequent events.

If after 90 days the residual Accrued Costs are deemed not needed and no additional phases/series of the project are to be developed, they must be adjusted out of the Accrued Cost column of the CWIP Status Report via an NF34-34 (Cost Adjustment Form) so that they equal the Capitalized Costs on the submitted NF37-6.

If after 90 days the UDO's are deemed not needed and no additional phases/series of the project are to be developed, the UDO's balance must be zeroed out of the CWIP Status Report (cancelled) via an NF34-34.

If a task code on the CWIP Status Report has a balance remaining in UDO's after the NF37-6 is submitted, the lines of code related to this task will not be purged from the CWIP Status Report. Additionally, until the purge occurs, the activity manager is required to submit quarterly CWIP reconciliations to Finance, even though the project is completed.

The same holds true for Accrued Costs not equal to the Capitalized Costs (as reported on the NF37-6). I.e. until Accrued Costs equal Capitalized Costs the project will not purge from the CWIP Status Report and consequently, the activity manager is required to submit a quarterly CWIP reconciliation to Finance even though the project has been completed.

If it is subsequently determined that a balance other than \$0 in the Uncapitalized Cost column is due to incorrect costs reported on the NF37-6, a revised NF37-6 must be submitted to Finance via the appropriate Property Office.

**Frequency of CWIP Reconciliations:**

Beginning in FY 2003, each project manager must submit quarterly CWIP Reconciliations using the template (referred to above), to Finance in compliance with OMB's quarterly Financial Statement Reporting Requirements. Likewise, beginning FY 2003, NF37-6's must be submitted to the appropriate Property Office, on a quarterly basis, to fairly report the completed CWIP activities during each quarter.